

**CITY OF MANILLA**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2008**



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# CITY OF MANILLA

## OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2008)</b>		
Pat Wuestewald	Mayor	December 2009
Lynn Olson	Mayor Pro-Tem	December 2009
Charles Agan	Council Member	December 2007
Wyatt Badow	Council Member	December 2009
Rick Sloth	Council Member	Resigned September 2007
Dennis Hansen	Council Member	December 2007
Allen Foster	Council Member	Appointed September 2007
James Heller	City Clerk	Indefinite
Carma Birks	Assistant Clerk	Indefinite
Mary Ann Macumber	Treasurer	Indefinite
Allen K Nepper	City Attorney	Indefinite

### **(After January 2008)**

Pat Wuestewald	Mayor	December 2009
Lynn Olson	Mayor Pro-Tem	December 2009
Charles Agan	Council Member	December 2011
Scott Badow	Council Member	December 2011
Wyatt Badow	Council Member	December 2009
Deb Fender	Council Member	December 2011
James Heller	City Clerk	Indefinite
Carma Birks	Assistant Clerk	Indefinite
Mary Ann Macumber	Treasurer	Indefinite
Allen K Nepper	City Attorney	Indefinite



**CITY OF MANILLA**  
**MUNICIPAL SERVICE OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2008)</b>		
<b>BOARD OF TRUSTEES</b>		
Jon Vennink	Chairman	December 2008
Barry Christensen	Trustee	December 2009
Leonard Kaufmann	Trustee	December 2007

**OFFICIALS**

Bryan Gerritson	Utility Director	Indefinite
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**(After January 2008)**

**BOARD OF TRUSTEES**

Jon Vennink	Chairman	December 2008
Barry Christensen	Trustee	December 2009
Allen Foster	Trustee	December 2013

**OFFICIALS**

Bryan Gerritson	Utility Director	Indefinite
Bryan Gerritson	Secretary	Indefinite
Mary Ann Macumber	Treasurer	Indefinite

# MUXFELDT

## ASSOCIATES, CPA, P.C.

Certified Public Accountant

December 17, 2008

### Independent Auditor's Report

**Lonnie G. Muxfeldt**  
Certified Public  
Accountant

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**Licensed In:**

Iowa  
Missouri

To the Honorable Mayor and  
Members of the City Council:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Manilla, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Manilla's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principals used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

Continued . . .

December 17, 2008

Page Two

To the Honorable Mayor and  
Members of the City Council:

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Manilla at June 30, 2008, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, I have also issued my report dated December 17, 2008 on my consideration of the City of Manilla's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 10, and 25 through 27 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Manilla's basic financial statements. Other supplementary information, included in Schedules 1 and 2, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, except that portion marked "unaudited" on Schedule 2, Schedule of Receipts by Source and Disbursements by Function - All Governmental Funds, on which I express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

 Murphy & Associates, CPA, P.C.



**CITY OF MANILLA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2008**

As management of the City of Manilla, Iowa we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2008.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's statements include three components: 1) a cash basis government-wide financial statement, 2) cash basis fund financial statements, and 3) notes to the financial statements.

**Government-wide financial statement:** This statement consists of a Statement of Activities and Net Assets and provides information about the activities of the City as a whole and presents an overall view of the City's finances.

**Fund financial statements:** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City has two kinds of funds:

- 1) Governmental fund account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund and 2) the Special Revenue Funds, such as Road Use Tax, Local Option Tax, and Employee Benefits. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.
- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains five Enterprise Funds to provide separate information for the electric, garbage, gas, sewer and water services.

**Notes to the financial statements:** The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

**Analysis of significant changes in financial position and fund balances:** The City's cash balances for governmental activities increased by 68% from a year ago, increasing by \$255,411 during the fiscal year ended June 30, 2008. The sale of the cable utility to FMCTC accounts for 95% of the increase.

The analysis that follows focuses on the changes in the cash basis net assets of governmental activities:

### Changes in Cash Basis Net Assets of Governmental Activities

	<u>Year ended June 30,</u> <u>2008</u>
Receipts:	
Program receipts:	
Charges for services	\$ 15,677
Operating grants, contributions and restricted interest	108,342
General receipts:	
Property tax	114,610
Local option sales tax	63,768
Unrestricted investment earnings	14,500
Miscellaneous	7,419
Sale of property	245,216
Total receipts	<u>569,532</u>
Disbursements:	
Public safety	66,501
Public works	169,683
Health and social services	60
Culture and recreation	46,163
Community and economic development	2,632
General government	29,082
Total disbursements	<u>314,121</u>
Change in cash basis net assets	255,411
Cash basis net assets, beginning of year	<u>374,392</u>
Cash basis net assets, end of year	<u>\$ 629,803</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The City's cash balances for business type activities increased by \$187,246 or 7% during the fiscal year ended June 30, 2008. The sale of the cable utility to FMCTC accounts for 43% of the increase.

The analysis that follows focuses on the changes in the cash basis net assets of business type activities:

### Changes in Cash Basis Net Assets of Business Type Activities

	<u>Year ended June 30,</u> <u>2008</u>
Receipts:	
Program receipts:	
Charges for services:	
Cable	\$ 1,796
Electric	629,014
Garbage	45,858
Gas	461,939
Sewer	33,664
Water	142,629
Operating grants, contribution, and restricted interest	96,291
General receipts:	
Unrestricted interest	27,867
Sale of property	79,959
Total receipts	<u>1,519,017</u>
Disbursements:	
Cable	12,443
Electric	650,271
Garbage	45,646
Gas	481,887
Sewer	24,425
Water	117,099
Total disbursements	<u>1,331,771</u>
Change in cash basis net assets	187,246
Cash basis net assets, beginning of year	<u>2,770,985</u>
Cash basis net assets, end of year	<u>\$ 2,958,231</u>



## **MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**Analysis between actual and budget amounts:** The City adopted its budget on March 6, 2007 and had no amendments to the budget during the fiscal year ended June 30, 2008.

**Debt Administration:** At June 30, 2008, the City had no indebtedness.

**Future financial statement impact:** Property tax receipts are expected to increase by 2% for fiscal year ending June 30, 2009.

**Requests for information:** Requests for additional information can be made to the Manilla City Clerk, James Heller, 433 Main Street, Manilla, Iowa 51454.



## **BASIC FINANCIAL STATEMENTS**

**CITY OF MANILLA**  
**STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2008**

		Program Receipts	
	Disbursements	Charges for Services	Operating Grants, Contributions and Restricted Interest
<b>Functions / Programs:</b>			
Governmental activities:			
Public safety	\$ 66,501	\$ 6,080	\$ 1,069
Public works	169,683	4,792	73,022
Health and social services	60	-0-	-0-
Cultures and recreation	46,163	2,380	6,451
Community and economic development	2,632	-0-	-0-
General government	29,082	2,425	27,800
Total governmental activities	314,121	15,677	108,342
Business type activities:			
Cable	12,443	1,796	9,182
Electric	650,271	629,014	58,197
Garbage	45,646	45,858	-0-
Gas	481,887	461,939	28,912
Sewer	24,425	33,664	-0-
Water	117,099	142,629	-0-
Total business type activities	1,331,771	1,314,900	96,291
Total	\$ 1,645,892	\$ 1,330,577	\$ 204,633
<b>General receipts:</b>			
Property tax			
Local option sales tax			
Unrestricted investment earnings			
Miscellaneous			
Sale of property			
Total general receipts			
Change in cash basis net assets			
Cash basis net assets, beginning of year			
Cash basis net assets, end of year			
<b>Cash basis net assets</b>			
Restricted:			
Streets			
Other purposes			
Unrestricted			
Total cash basis net assets			

See notes to financial statements.

# EXHIBIT A

Net (Disbursements), Receipts and Changes in Net Assets					
Governmental Activities		Business Type Activities		Total	
\$	(59,352)	\$	-0-	\$	(59,352)
	(91,869)		-0-		(91,869)
	(60)		-0-		(60)
	(37,332)		-0-		(37,332)
	(2,632)		-0-		(2,632)
	1,143		-0-		1,143
	(190,102)		-0-		(190,102)
	-0-		(1,465)		(1,465)
	-0-		36,940		36,940
	-0-		212		212
	-0-		8,964		8,964
	-0-		9,239		9,239
	-0-		25,530		25,530
	-0-		79,420		79,420
	(190,102)		79,420		(110,682)
	114,610		-0-		114,610
	63,768		-0-		63,768
	14,500		27,867		42,367
	7,419		-0-		7,419
	245,216		79,959		325,175
	445,513		107,826		553,339
	255,411		187,246		442,657
	374,392		2,770,739		3,145,131
\$	<u>629,803</u>	\$	<u>2,957,985</u>	\$	<u>3,587,788</u>
\$	29,710	\$	-0-	\$	29,710
	3,604		-0-		3,604
	596,489		2,957,985		3,554,474
\$	<u>629,803</u>	\$	<u>2,957,985</u>	\$	<u>3,587,788</u>



**CITY OF MANILLA**  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS**  
**AND CHANGES IN CASH BALANCES**  
**GOVERNMENTAL FUNDS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2008**

	Special Revenue			
	General	Road Use Tax	Other Nonmajor Governmental Funds	Total
Receipts:				
Property tax	\$ 97,645	\$ -0-	\$ 16,965	\$ 114,610
Local option sales tax	-0-	-0-	63,768	63,768
Licenses and permits	2,425	-0-	-0-	2,425
Use of money and property	17,045	-0-	-0-	17,045
Intergovernmental	36,525	71,879	-0-	108,404
Miscellaneous	17,328	736	-0-	18,064
Total receipts	170,968	72,615	80,733	324,316
Disbursements:				
Public safety	60,913	-0-	5,588	66,501
Public works	76,565	84,904	8,214	169,683
Health and social services	60	-0-	-0-	60
Culture and recreation	46,163	-0-	-0-	46,163
Community and economic development	2,632	-0-	-0-	2,632
General government	29,082	-0-	-0-	29,082
Total disbursements	215,415	84,904	13,802	314,121
Excess of receipts over disbursements	(44,447)	(12,289)	66,931	10,195
Other financing sources (uses):				
Sales of property	245,216	-0-	-0-	245,216
Operating transfers in	63,768	-0-	-0-	63,768
Operating transfers out	-0-	-0-	(63,768)	(63,768)
Total other financing sources (uses)	308,984	-0-	(63,768)	245,216
Net change in cash balances	264,537	(12,289)	3,163	255,411
Cash balances beginning of year	331,952	41,999	441	374,392
Cash balances end of year	\$ 596,489	\$ 29,710	\$ 3,604	\$ 629,803
<b>Cash Basis Fund Balances</b>				
Unreserved:				
General fund	\$ 596,489	\$ -0-	\$ -0-	\$ 596,489
Special revenue funds	-0-	29,710	3,604	33,314
Total cash basis fund balances	\$ 596,489	\$ 29,710	\$ 3,604	\$ 629,803

See notes to financial statements.

**CITY OF MANILLA**  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS**  
**AND CHANGES IN CASH BALANCES**  
**PROPRITARY FUNDS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Cable</u>	<u>Electric</u>	<u>Enterprise Garbage</u>
Operating receipts:			
Use of money and property	\$ -0-	\$ 15,036	\$ -0-
Charges for services	1,160	625,280	45,858
Miscellaneous	<u>636</u>	<u>3,734</u>	<u>-0-</u>
Total operating receipts	1,796	644,050	45,858
Operating disbursements:			
Business type activities	<u>12,443</u>	<u>650,271</u>	<u>45,646</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	(10,647)	(6,221)	212
Non-operating receipts (disbursements)			
Interest on investments	<u>9,182</u>	<u>58,197</u>	<u>-0-</u>
Excess (deficiency) or receipts over (under) Disbursements	(1,465)	51,976	212
Sales of property	79,959	-0-	-0-
Operating transfers in	-0-	165,776	-0-
Operating transfers out	<u>(165,776)</u>	<u>-0-</u>	<u>-0-</u>
Net change in cash balances	(87,282)	217,752	212
Cash balances beginning of year	<u>87,282</u>	<u>1,578,040</u>	<u>9,696</u>
Cash balances end of year	\$ <u>-0-</u>	\$ <u>1,795,792</u>	\$ <u>9,908</u>
<b>Cash Basis Fund Balances - Unreserved</b>	<b>\$ <u>-0-</u></b>	<b>\$ <u>1,795,792</u></b>	<b>\$ <u>9,908</u></b>

See notes to financial statements.

Exhibit C

Funds			
Gas	Sewer	Water	Total
\$ 11,526	\$ -0-	\$ 1,305	\$ 27,867
460,216	33,664	142,629	1,308,807
1,723	-0-	-0-	6,093
<u>473,465</u>	<u>33,664</u>	<u>143,934</u>	<u>1,342,767</u>
 481,887	 24,425	 117,099	 1,331,771
 (8,422)	 9,239	 26,835	 10,996
 28,912	 -0-	 -0-	 96,291
 20,490	 9,239	 26,835	 107,287
-0-	-0-	-0-	79,959
-0-	-0-	-0-	165,776
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(165,776)</u>
20,490	9,239	26,835	187,246
<u>942,167</u>	<u>113,418</u>	<u>40,136</u>	<u>2,770,739</u>
\$ <u>962,657</u>	\$ <u>122,657</u>	\$ <u>66,971</u>	\$ <u>2,957,985</u>
 \$ <u>962,657</u>	 \$ <u>122,657</u>	 \$ <u>66,971</u>	 \$ <u>2,957,985</u>



## **NOTES TO FINANCIAL STATEMENTS**

**CITY OF MANILLA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Manilla is a political subdivision of the State of Iowa located in Crawford County. It was first incorporated in 1887 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general administrative services. The City also provides electric, garbage, gas, sewer and water utilities for its citizens.

**A. Reporting Entity**

For financial reporting purposes, the City of Manilla has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

**Jointly Governed Organizations**

The City participates in jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City officials or appointees are members of the following boards and commissions: Crawford County solid Waste Agency and Crawford County Development Corporation.

**B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Activities and Net Assets report information on all of the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

**CITY OF MANILLA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (continued)

The Statement of Activities and Net Assets presents the City's non-fiduciary net assets. Net assets are reported in two categories:

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include: 1) charges to customers or applicants whose purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

**CITY OF MANILLA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Basis of Presentation (continued)**

**Special Revenue:**

The Road Use Tax Fund is used to account for road construction and maintenance.

The City reports the following major proprietary funds:

The Electric Fund accounts for the operation and maintenance of the City's electric service.

The Gas Fund accounts for the collection and cost of the City's gas service.

**C. Measurement Focus and Basis of Accounting**

The City of Manilla maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

**D. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, disbursements did not exceed the amounts budgeted in the governmental and business type activities functions.

**CITY OF MANILLA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**NOTE 2 CASH AND POOLED INVESTMENTS**

The City's deposits at June 30, 2008 were covered entirely by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's investments are categorized to give an indication of the level of risk assumed by the City at year end. The City's investments are all Category 1, meaning the investments are insured or registered or the securities are held by the agent of the City in the City's name.

The City's cash, which consists of cash on hand, cash in bank and certificates of deposit, totaled \$3,587,788 as of June 30, 2008.

**NOTE 3 PENSION AND RETIREMENT BENEFITS**

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute a 3.90% of their annual covered salary and the City is required to contribute 6.05% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2008 was \$19,804, equal to the required contributions for the year.

**CITY OF MANILLA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**NOTE 4 COMPENSATED ABSENCES**

City employees accumulate a limited amount of earned but unused vacation and compensatory time hours for subsequent use or for payment at termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave payable to employees at June 30, 2008, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount June 30, 2008
Vacation	\$ 14,925
Sick Leave	39,764
Total	\$ <u>54,689</u>

The liability has been computed based on rates of pay in effect at June 30, 2008.

At the end of each calendar year, any unused vacation pay is paid to employees. Upon separation from employment, accumulated unused vacation pay is paid per employee election, either in a lump sum payment or in a continuation of payments at usual pay periods until paid in full.

Sick leave is payable when used or upon retirement or death with a maximum accumulation of hours not to exceed 360 hours or forty-five days.

**NOTE 5 INTERFUND TRANSFERS**

The detail of interfund transfers for the year ended June 30, 2008, is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue- Local Option	\$ 63,768
Enterprise - Electric	Enterprise - Cable	165,776
		\$ <u>229,544</u>
Total		

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

**CITY OF MANILLA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**NOTE 6 RELATED PARTY TRANSACTIONS**

Business transactions between the City and City officials totaled \$60,198 during the year ended June 30, 2008.

**NOTE 7 RISK MANAGEMENT**

The City of Manilla is exposed to various risks of loss to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage for the year ended June 30, 2008.



## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF MANILLA**  
**BUDGETARY COMPARISON SCHEDULE**  
**OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCE -**  
**BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS AND**  
**PROPRIETARY FUNDS**

**REQUIRED SUPPLEMENTARY INFORMATION**  
**YEAR ENDED JUNE 30, 2008**

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 114,610	\$ -0-
Other city tax	63,768	-0-
Licenses and permits	2,425	-0-
Use of money and permits	17,045	124,158
Intergovernmental	108,404	-0-
Charges for services	-0-	1,308,807
Miscellaneous	18,064	6,093
Total receipts	<u>324,316</u>	<u>1,439,058</u>
Disbursements:		
Public safety	66,501	-0-
Public works	169,683	-0-
Health and social services	60	-0-
Culture and recreation	46,163	-0-
Community and economic development	2,632	-0-
General government	29,082	-0-
Business type	-0-	1,331,771
Total disbursements	<u>314,121</u>	<u>1,331,771</u>
Excess (deficiency) of receipts over (under) disbursements	10,195	107,287
Other financing sources, net	<u>245,216</u>	<u>79,959</u>
Excess (deficiency) of receipts and other financing sources	255,411	187,246
Balances beginning of year	<u>374,392</u>	<u>2,770,739</u>
Balances end of year	\$ <u><u>629,803</u></u>	\$ <u><u>2,957,985</u></u>

See Accompanying Independent Auditor's Report.

	Total	Budget	Variance Favorable (Unfavorable)
\$	114,610	\$ 113,716	\$ 894
	63,768	56,000	7,768
	2,425	2,475	(50)
	141,203	107,500	33,703
	108,404	420,500	(312,096)
	1,308,807	1,766,100	(457,293)
	24,157	5,500	18,657
	<u>1,763,374</u>	<u>2,471,791</u>	<u>(708,417)</u>
	66,501	223,625	157,124
	169,683	256,180	86,497
	60	2,700	2,640
	46,163	65,980	19,817
	2,632	205,000	202,368
	29,082	36,805	7,723
	<u>1,331,771</u>	<u>2,587,050</u>	<u>1,255,279</u>
	<u>1,645,892</u>	<u>3,377,340</u>	<u>1,731,448</u>
	117,482	(905,549)	1,023,031
	<u>325,175</u>	<u>-0-</u>	<u>325,175</u>
	442,657	(905,549)	1,348,206
	<u>3,145,131</u>	<u>3,145,131</u>	<u>-0-</u>
\$	<u><u>3,587,788</u></u>	\$ <u><u>2,239,582</u></u>	\$ <u><u>1,348,206</u></u>



## **CITY OF MANILLA**

### **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING**

**JUNE 30, 2008**

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except for Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund.

For the year ended June 30, 2008, no budget amendments were made and disbursements did not exceed the amounts budgeted.



## **OTHER SUPPLEMENTARY INFORMATION**

**CITY OF MANILLA**  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS**  
**AND CHANGES IN CASH BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Special Revenue</u>		
	<u>Employee Benefits</u>	<u>Local Option Sales Tax</u>	<u>Total</u>
Receipts:			
Property tax	\$ 16,965	\$ -0-	\$ 16,965
Other city tax	-0-	63,768	63,768
Total receipts	16,965	63,768	80,733
Disbursements:			
Operating:			
Public safety	5,588	-0-	5,588
Public works	8,214	-0-	8,214
	13,802	-0-	13,802
Excess (deficiency) of operating receipts over (under) operating disbursements	3,163	63,768	66,931
Other financing uses:			
Operating transfers out	-0-	(63,768)	(63,768)
Net change in cash balances	3,163	-0-	3,163
Cash balances beginning of year	441	-0-	441
Cash balances end of year	\$ 3,604	\$ -0-	\$ 3,604
<b>Cash Basis Fund Balances</b>			
Unreserved:			
Special revenue funds	\$ 3,604	\$ -0-	\$ 3,604

See accompanying independent auditor's report.

**CITY OF MANILLA**  
**SCHEDULE OF RECEIPTS BY SOURCE AND**  
**DISBURSEMENTS BY FUNCTION –**  
**ALL GOVERNMENTAL FUNDS**

**FOR THE LAST FOUR YEARS ENDING JUNE 30**

	<u>2007*</u>	<u>2006 *</u>	<u>2005 *</u>	<u>2004</u>
Receipts:				
Property tax	\$ 108,783	\$ 106,319	\$ 106,271	\$ 108,123
Other city tax	57,243	59,081	54,117	48,561
Licenses and permits	2,542	2,543	2,013	2,024
Use of money and property	17,682	12,046	5,894	5,747
Intergovernmental	154,735	120,675	179,654	136,724
Charges for services	12	36	130	-0-
Miscellaneous	<u>17,106</u>	<u>32,353</u>	<u>5,638</u>	<u>6,595</u>
Total	\$ <u>358,103</u>	\$ <u>333,053</u>	\$ <u>353,717</u>	\$ <u>307,774</u>
Disbursements:				
Public safety	\$ 75,799	\$ 116,462	\$ 161,226	\$ 106,998
Public works	155,400	154,309	159,337	136,961
Health and social services	90	85	4,080	-0-
Culture and recreation	51,806	55,367	24,916	28,845
Community and economic development	39,966	13,166	4,148	19,748
General government	<u>30,247</u>	<u>24,734</u>	<u>21,306</u>	<u>21,342</u>
Total	\$ <u>353,308</u>	\$ <u>364,123</u>	\$ <u>375,013</u>	\$ <u>313,894</u>

\* Unaudited

See accompanying independent auditor's report.



**INDEPENDENT AUDITOR'S REPORT  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

# MUXFELDT

## ASSOCIATES, CPA, P.C.

Certified Public Accountant

December 17, 2008

INDEPENDENT AUDITOR'S REPORT  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARD

**Lonnie G. Muxfeldt**  
Certified Public  
Accountant

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**Licensed In:**

Iowa  
Missouri

To the Honorable Mayor and  
Members of the City Council:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Manilla, Iowa as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued my report thereon dated December 17, 2008. My report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the City of Manilla's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of the City of Manilla's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City of Manilla's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies and other deficiencies I consider to be material weaknesses.

Continued . . .

December 17, 2008  
To the Honorable Mayor and  
Members of the City Council:  
Page Two

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Manilla's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Manilla's financial statements that is more than inconsequential will not be prevented or detected by the City of Manilla's internal control. I consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Manilla's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, I believe item II-A-08 is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Manilla's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Continued . . .



December 17, 2008  
To the Honorable Mayor and  
Members of the City Council:  
Page Three

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for items III-A-08 and III-E-08.

The City of Manilla's responses to findings identified in my audit are described in the accompanying Schedule of Findings and Questioned Costs. While I have expressed my conclusions on the City's responses, I did not audit the City of Manilla's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended for the information and use of the officials, employees and citizens of the City of Manilla and other parties to whom the City of Manilla may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the City of Manilla during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

  
Murphy & Associates, CPA, P.C.



**CITY OF MANILLA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2008**

**PART I: SUMMARY OF THE INDEPENDENT AUDITOR'S RESULTS**

- a. Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is an other comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- b. Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- c. The audit did not disclose any non-compliance which is material to the financial statements.

**PART II: FINDINGS RELATED TO THE FINANCIAL STATEMENTS**

**INSTANCE OF NON-COMPLIANCE**

No matters were noted.

**SIGNIFICANT DEFICIENCIES:**

**II-A-08 Segregation of Duties**

Comment - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from performing duties which are incompatible such as handling cash, preparing deposits, recording transactions and performing reconciliations.

Recommendation - I realize that a strict segregation of duties is difficult with two office employees. However, the City should review its control procedures, periodically, to obtain the maximum internal control possible under the circumstances.

Response - The City requires two signatures on all City checks and the City Treasurer prepares a Treasurer's Report monthly.

Conclusion - Response acknowledged. The City could segregate duties to the extent possible with existing personnel and utilize appointed officials to provide additional control through review of financial transactions and reports.

**CITY OF MANILLA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2008**

**PART II: FINDINGS RELATED TO THE FINANCIAL STATEMENTS (continued)**

**II-B-08**    Credit Cards - The City has seven credit cards for use by various employees and officials while on City business. The City has not adopted a formal policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges.

Recommendation - The City should adopt a formal written policy regulating the use of City credit cards. The policy, at a minimum, should address who controls credit cards, who is authorized to use credit cards and for what purpose, as well as the type of supporting documentation required to substantiate charges.

Response - We have not established a formal written policy detailing specifics on the use of City credit cards and will review procedures and guidelines to establish a written policy.

Conclusion - Response accepted.

**PART III: OTHER FINDINGS RELATED TO STATUTORY REPORTING:**

**III-A-08**    Official Depositories - A resolution approving the City's investment policy was adopted, however, the City did not properly designate its financial institution and approve depository limits.

Recommendation - The City Council should properly designate the financial institutions of the City and set depository limits. In addition, these should be reviewed annually.

Response - We will designate official depositories of the City and set depository limits annually.

Conclusion - Response accepted.

**III-B-08**    Certified Budget - Disbursements during the year ended June 30, 2008 did not exceed the amounts budgeted in the governmental and business type activities functions.

**III-C-08**    Questionable Disbursements - I noted no disbursements for parties, banquets or other entertainment for employees that I believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

**III-D-08**    Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

**CITY OF MANILLA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED JUNE 30, 2008**

PART III: OTHER FINDINGS RELATED TO STATUTORY REPORTING (continued)

III-E-08 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Scott Badow, Council Member, Owner of Scott Badow Construction	Repairs	\$ 866
Wyatt Badow, Council Member, Owner of Badow Mowing Service	Lawn mowing	\$ 1,489
Barry Christensen, Board of Trustees, Co-owner of Harvey's Oil	Fuel, tires, repairs	\$ 14,887
Allen Foster, Board of Trustees, Owner of Foster Bulldozer Service	Earthmoving	\$ 450
Steve Vollstedt, Zoning Board, Owner of Manilla Insurance Agency	Insurance	\$ 42,506

In accordance with Chapter 362.5(11) of the Code of Iowa, the transactions with Council Members Badow and Board of Trustee Member Foster do not appear to represent conflicts of interest since total transactions with each individual were less than \$1,500 during the fiscal year.

In accordance with Chapter 362.5(11) of the Code of Iowa, the transactions with Board of Trustee Member Christensen and Zoning Board Member Vollstedt may represent a conflict of interest since total transactions with these individuals was greater than \$1,500 during the fiscal year.

Recommendation - The City should obtain competitive bids on its insurance and perhaps fuel in accordance with Chapter 362.5(4).

Response - The City will consider requesting competitive bids on its insurance. The City splits its gasoline purchases between a convenience store and a service station. Unfortunately, the convenience store cannot provide diesel, tires, oil or repair services.

Conclusion - Response acknowledged.



**CITY OF MANILLA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2008**

PART III: OTHER FINDINGS RELATED TO STATUTORY REPORTING (continued)

- III-F-08 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- III-G-08 Council Minutes - No transactions were found that I believe should have been approved in the Council minutes but were not.
- III-H-08 Deposits and Investments - Except as noted in comment III-A-08, no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.



CITY OF MANILLA

MANILLA, IOWA 51454

**NEWS RELEASE**

Muxfeldt Associates, CPA, P.C., 2309 B Chatburn Avenue, Harlan, Iowa today released an audit report on the City of Manilla, Iowa.

The City's receipts totaled \$2,088,549 for the year ended June 30, 2008, an 8.6 percent decrease from 2007. The receipts included \$114,610 from property tax, \$1,330,577 from charges for services, \$204,633 from operating grants, contributions and restricted interest, \$63,768 from local option sales tax, \$42,367 from unrestricted investment earnings, \$7,419 from miscellaneous sources and \$325,175 from the sale of property.

Disbursements for the year totaled \$1,645,892, an 18 percent decrease from 2007, and included \$650,270 for the electric utility, \$481,887 for the gas utility, and \$169,683 for public works.

A copy of the audit report is available for review in the City Clerk's Office, in the Office of the Auditor of State and on the Auditor of State's website at <http://auditor.iowa.gov/reports/reports.htm>

